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## FISCAL IMPACT REPORT

SPONSOR: Jennings DATE TYPED: 02/09/03 HB \_\_\_\_\_  
 SHORT TITLE: Local Government Investments SB 41/aSFC  
 ANALYST: Gilbert

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 41 strikes general language allowing county or municipal treasurers to invest in agencies sponsored by the United States government, and instead lists the “sponsored” agencies as outlined below:

- The Federal Home Loan Mortgage Association
- The Federal National Mortgage Association
- The Federal Farm Credit Bank
- The Student Loan Marketing Association

#### Synopsis of Original Bill

Senate Bill 41 amends NMSA 1978, § 6-10-10, Section 1(F)(2) to clarify that county or municipal treasurers may invest in securities issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed sponsored by the United States government.

#### Significant Issues

Allowing counties and municipalities to investment in securities of agencies *sponsored* by the United States Government versus *guaranteed* by the United States Government will significantly increase their investment options. For example, this bill would allow the purchase of Federal

Home Loan Bank bonds.

**OTHER SUBSTANTIVE ISSUES**

Although the United States Government does not guarantee the new investment options allowed by this bill, they are all AA or AAA rated securities. Although these securities are quite sound, counties and municipalities will be accepting slightly more credit risk. However, they will also be gaining the flexibility to obtain higher investment yields.

RLG/nw